

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: October 3, 2011

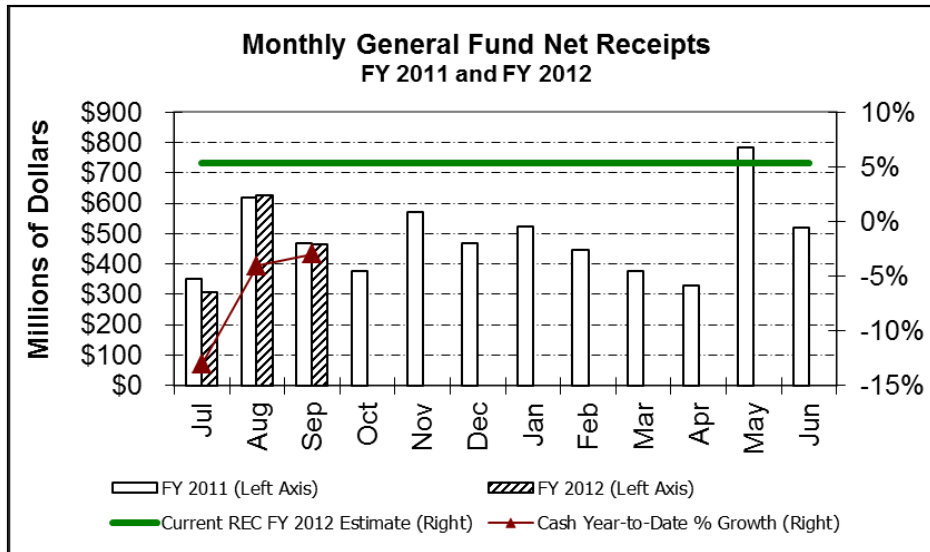
Monthly General Fund Receipts through September 30, 2011

The spreadsheet at the end of this document presents FY 2012 General Fund total net receipts with comparable figures for actual FY 2011. The figures can be compared to the FY 2012 estimate of \$6.122 billion set by the Revenue Estimating Conference (REC) on March 25, 2011. The FY 2012 estimate is an increase of \$309.6 million (5.3%) compared to actual FY 2011 total net receipts (excludes transfers). Please note that the March REC estimate has not been adjusted for the cigarette/tobacco tax revenue destination change, or other revenue law changes enacted since the estimate was developed. The next REC meeting is scheduled for October 14, 2011.

FY 2011 Final Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 4.99%						
Year-to- Date Ending:	Year-to- Date FY 2010	Year-to- Date FY 2011	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$ 1,777.6	\$ 1,813.9	\$ 36.3	2.0%	\$ 88.8	\$ -52.5
Nov	2,318.6	2,385.7	67.1	2.9%	115.8	-48.7
Dec	2,751.0	2,855.6	104.6	3.8%	137.4	-32.8
Jan	3,168.1	3,378.1	210.0	6.6%	158.2	51.8
Feb	3,607.6	3,824.8	217.2	6.0%	180.2	37.0
Mar	3,985.2	4,202.4	217.2	5.5%	199.0	18.2
Apr	4,354.6	4,530.5	175.9	4.0%	217.5	-41.6
May	4,999.0	5,312.4	313.4	6.3%	249.6	63.8
June	5,504.0	5,833.4	329.4	6.0%	274.9	54.5
Year end	5,492.8	5,812.6	319.8	5.8%	274.3	45.5
Adjustment for Transfers						-2.8
Year end net receipts, including transfers						\$ 42.7

Final FY 2011 Net Revenue

Net General Fund revenue for FY 2011, excluding transfers, totaled \$5.813 billion, an increase of \$319.8 million (5.8%) compared to FY 2010. The total FY 2011 net amount was \$45.5 million more than projected by the March 2011 REC. Adjusting for transfers that were \$2.8 million below projections, net General Fund revenue, including transfers, was \$42.7 million above projections for the year.



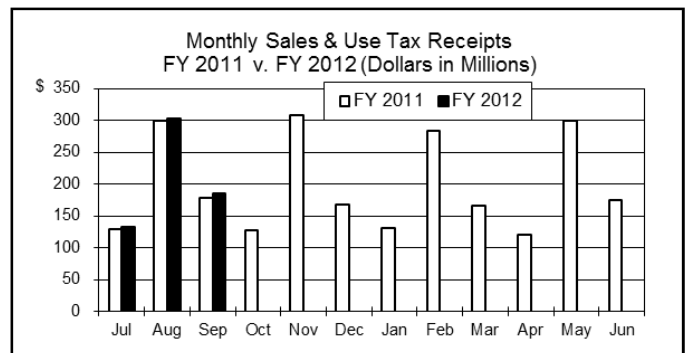
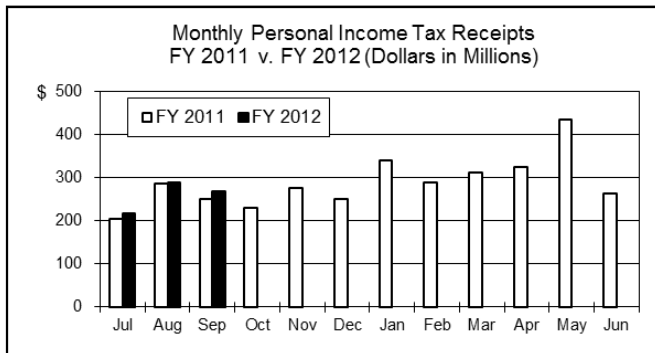
FY 2012 Compared to FY 2011

Year-to-date FY 2012 total net receipts (excluding transfers) decreased \$43.5 million (-3.0%) compared to FY 2011. Major revenue sources and their contribution to the FY 2012 change include:

- Personal income tax (positive \$32.6 million, 4.4%)
- Sales/use tax (positive \$13.1 million, 2.2%)
- Corporate tax (positive \$5.6 million, 6.9%)
- Other taxes (negative \$60.7 million, - 42.8%)
- Other receipts (positive \$4.5 million, 8.2%)
- Tax refunds not including school infrastructure refunds (negative \$14.5 million)
- School infrastructure sales/use tax refunds (negative \$23.9 million)

Personal Income Tax revenue received in September totaled \$267.8 million, an increase of \$16.3 million (6.5%) compared to September 2010.

The FY 2012 REC income tax estimate of \$3.615 billion represents a projected increase of 4.4% compared to actual FY 2011. Through September, gross income tax receipts increased \$32.6 million (4.4%). By subcategory, withholding payments increased by \$19.8 million (3.1%), estimate payments increased \$7.1 million (8.8%), and payments with returns increased by \$5.7 million (28.2%). The following chart compares FY 2012 monthly income tax receipts from the three personal income tax subcategories with FY 2011.



Sales/Use Tax receipts received in September totaled \$185.1 million, an increase of \$6.3 million (3.5%) compared to September 2010.

The REC estimate for FY 2012 sales/use tax receipts is \$2.470 billion, an increase of 3.7% compared to actual FY 2011. Through September, sales/use tax receipts increased 2.2%. The preceding graph compares FY 2012 monthly sales/use tax receipts with FY 2011.

Corporate Tax receipts received in September totaled \$49.5 million, an increase of \$3.6 million (7.8%) compared to September 2010.

The REC estimate for FY 2012 corporate tax revenue is \$432.1 million, an increase of 9.5% compared to actual FY 2011. Through September, corporate income tax receipts increased 6.9%.

Other tax receipts received in September totaled \$12.4 million, a decrease of \$23.1 million (- 65.1%) compared to September 2010. Other tax receipts will be negatively impacted in FY 2012 due to a 2011 law change that altered the destination of \$106.0 million in cigarette/tobacco tax revenue. This change will decrease State General Fund revenue and increase revenue to the Heath Care Trust Fund.

The REC estimate, not including an adjustment for the cigarette and tobacco tax law change, for FY 2012 other tax revenue is \$456.2 million, an increase of 3.1% compared to actual FY 2011. Through September, other tax receipts have decreased 42.8%.

Other receipts (nontax receipts) received in September totaled \$19.6 million, an increase of \$6.9 million (54.3%) compared to September 2010. The large September increase was concentrated in judicial and fee revenue.

The REC estimate for FY 2012 other receipts revenue is \$373.9 million, an increase of 10.5% compared to actual FY 2011. Through September, other receipts increased 8.2%.

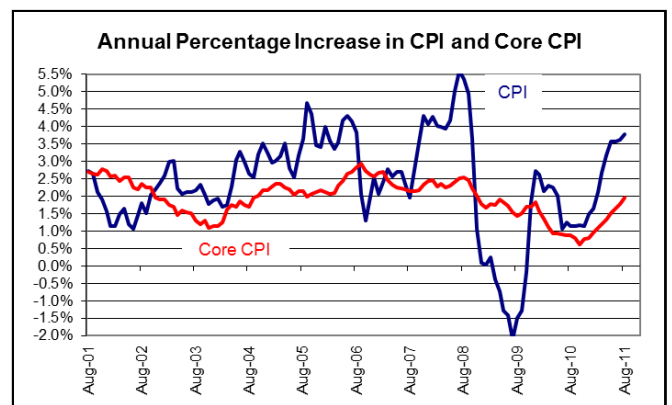
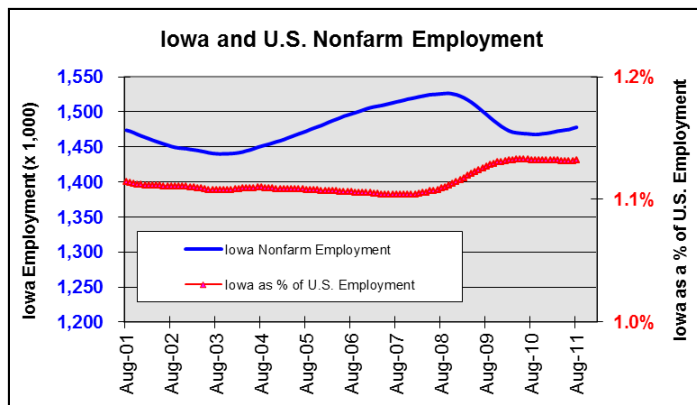
Tax Refunds issued in September totaled \$32.8 million, a decrease of \$0.9 million (- 2.7%) compared to September 2010. In addition, school infrastructure refunds totaled \$38.8 million for the month, an increase of \$14.6 million compared to September 2010. The large infrastructure increase was due to a reconciliation adjustment impacting FY 2011, not the current fiscal year.

Status of the Economy

Iowa nonfarm employment was reported at 1,473,600 for the month of August (not seasonally adjusted), 18,800 higher (1.3%) than August 2010.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,478,000, resulting in an annual average Iowa nonfarm employment level 48,400 below the October 2008 peak and 800 below the January 2001 peak.

The employment graph also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined slightly.



The Consumer Price Index (CPI-U) through August 2011 was 226.5 (1983/84=100). Consumer prices increased 0.3% in August (not seasonally adjusted) and the annual rate of inflation stands at 3.8%, the highest annual rate since August 2008 (4.9%).

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.3% in August and totals 2.0% year-over-year. The core rate of inflation bottomed at 0.6% in October 2010 and has increased every month since. For the two components excluded from the core rate, energy prices are up 18.4% year-over-year while food prices are up 4.4%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2011 vs. FY 2012 July 1 through September 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 11 Actual Compared to FY 12 REC Estimate		
	FY 2011	FY 2012	Year to Date % Change	September % Change	Actual FY 2011	Estimate FY 2012	Projected % Change
Personal Income Tax	\$ 742.3	\$ 774.9	4.4%	6.5%	\$ 3,461.7	\$ 3,615.0	4.4%
Sales/Use Tax	607.8	620.9	2.2%	3.5%	2,381.4	2,470.0	3.7%
Corporate Income Tax	80.7	86.3	6.9%	7.8%	394.5	432.1	9.5%
Inheritance Tax	18.6	19.3	3.8%	26.3%	66.4	72.1	8.6%
Insurance Premium Tax	49.4	46.8	-5.3%	0.0%	97.1	100.3	3.3%
Cigarette Tax***	54.6	0.0	-100.0%	-100.5%	200.1	200.4	0.1%
Tobacco Tax***	7.6	2.5	-67.1%	-100.0%	27.2	28.0	2.9%
Beer Tax	4.2	4.2	0.0%	7.7%	14.3	14.4	0.7%
Franchise Tax	7.4	8.4	13.5%	-36.2%	36.3	40.0	10.2%
Miscellaneous Tax	0.1	0.0	0.0%	-100.0%	1.0	1.0	0.0%
Total Gross Taxes	\$ 1,572.7	\$ 1,563.3	-0.6%	0.6%	\$ 6,680.1	\$ 6,973.3	4.4%
Institutional Payments	3.0	4.2	40.0%	14.3%	10.0	14.9	49.0%
Liquor Profits	22.5	22.9	1.8%	-11.7%	89.3	85.4	-4.4%
Interest	0.6	0.5	-16.7%	-33.3%	3.0	2.0	-33.3%
Fees	6.8	7.2	5.9%	177.8%	30.1	66.8	121.9%
Judicial Revenue	12.8	18.2	42.2%	516.7%	101.5	112.0	10.3%
Miscellaneous Receipts	9.3	6.5	-30.1%	0.0%	38.4	26.8	-30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,627.7	\$ 1,622.7	-0.3%	1.9%	\$ 7,018.5	\$ 7,347.2	4.7%
Accrued Revenue-Net*					14.9	17.6	
Tax Refunds **	-90.5	-105.0	16.0%	-2.7%	-826.7	-831.0	0.5%
School Infrast. Refunds **	-99.7	-123.6	24.0%	60.3%	-394.1	-411.6	4.4%
TOTAL NET RECEIPTS	\$ 1,437.5	\$ 1,394.0	-3.0%	-0.8%	\$ 5,812.6	\$ 6,122.2	5.3%
<p>* The FY 2011 "Accrued Revenue-Net" should now be final, although a minor additional adjustment may be made.</p> <p>** For FY 2011 and FY 2012 Year-to-Date columns, refunds are presented on a cash basis. For FY 2011 Actual and FY 2012 Estimate, refunds are presented on a fiscal year basis.</p> <p>*** Beginning in FY 2012, the first \$106.0 million in cigarette and tobacco tax revenue will be deposited in the Health Care Trust Fund (HCTF) instead of the General Fund. The REC estimate has not been modified to reflect that adjustment or any other law changes that were enacted since the last REC.</p>							